

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6019

BILL NUMBER: SB 197

DATE PREPARED: Mar 23, 1999

BILL AMENDED: Mar 22, 1999

SUBJECT: Riverboat Admissions Tax distributions.

FISCAL ANALYST: Kristin Breen

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) (1) This bill permits a statewide breed association that represents a breed at a pari-mutuel racetrack located in Indiana to apply to the Indiana Horse Racing Commission for approval of an alternative racing program consisting of nonpari-mutuel races. It establishes an alternative racing program fund for each alternative racing program that is approved by the Commission.

(2) It provides that (a) fifteen cents (instead of ten cents) of the admissions tax collected for each person embarking on a riverboat shall be distributed to the Division of Mental Health, (b) five cents of the admissions tax collected for each person embarking on a riverboat shall be deposited in the Housing Trust Fund, (c) before July 1, 2003, five cents of the admissions tax collected for each person embarking on a riverboat shall be paid to the State Fair Commission for use for the Center for Agricultural Science and Heritage, and (d) the amount of admissions tax distributed to the Indiana Horse Racing Commission (currently sixty-five cents for each person embarking on a riverboat) is reduced in a corresponding amount.

(3) It provides that up to \$600,000 of the riverboat admissions tax revenue that is payable to the Commission shall be deposited into each alternative racing program fund during each state fiscal year. It permits the Commission to use a portion of the riverboat admissions tax revenue it receives to make grants to a training facility in Johnson County.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) (1) This bill permits a statewide breed association that represents a breed at a pari-mutuel racetrack located in Indiana to apply to the Horse Racing Commission (HRC) for approval of an alternative racing program consisting of nonpari-mutuel races. The HRC is required to establish and administer a separate fund for each alternative racing program that is approved. There could be a maximum of three alternative racing programs in Indiana: for Thoroughbreds, Standardbreds, and Quarter Horses.

It requires the HRC to provide regulatory oversight of alternative racing programs. Depending on the extent of regulatory oversight, the HRC may need current intermittent staff to work additional days. This would increase the HRC's salary expenses by an indeterminable amount. The HRC currently employs approximately 25 individuals for 15 intermittent positions. In addition, the HRC may supply personnel for the alternative racing programs. The HRC's expenses are paid from horse racing revenue.

Explanation of State Revenues: (Revised) (2) This bill changes the distribution of the \$3 Riverboat Admission Tax. The current and proposed distribution before July 1, 2003 is shown in the Table 1. The current and proposed distribution after July 1, 2003 is shown in the Table 2.

Table 1. Current and Proposed Distribution of the Riverboat Admission Tax Before July 1, 2003:

	Current	Proposed	Difference
City	\$1.00	\$1.00	-
County	1.00	1.00	-
Horse Racing Commission	0.65	0.50	(0.15)
State Fair Commission	0.15	0.15	-
Division of Mental Health	0.10	0.15	0.05
County Convention & Visitor Bureaus	0.10	0.10	-
Housing Trust Fund	0.00	0.05	0.05
Center for Agricultural Science & Heritage (State Fair Commission)	0.00	0.05	0.05
Total	\$3.00	\$3.00	-

Table 2. Current and Proposed Distribution of the Riverboat Admission Tax After July 1, 2003:

	Current	Proposed	Difference
City	\$1.00	\$1.00	-
County	1.00	1.00	-
Horse Racing Commission	0.65	0.55	(0.10)
State Fair Commission	0.15	0.15	-
Division of Mental Health	0.10	0.15	0.05
County Convention & Visitor Bureaus	0.10	0.10	-
Housing Trust Fund	0.00	0.05	0.05
Total	\$3.00	\$3.00	-

It is assumed that nine riverboats will be operational during FY 2000. Based on the estimate of average monthly admissions, total Riverboat Admission Tax revenue in FY 2000 is estimated to be approximately \$106.6 million. Based on the assumption that Riverboat Admission Tax revenue remains constant, revenue in FY 2001 and beyond is estimated to be approximately \$106.6 million. The current and proposed distribution of Riverboat Admission Tax revenue before July 1, 2003 is shown in the Table 3. The current and proposed distribution after July 1, 2003 is shown in the Table 4.

Table 3. Current and Proposed Distribution of Riverboat Admission Tax Revenue Before July 1, 2003 (in millions):

	Current	Proposed	Difference
City	\$35.5	\$35.5	-
County	35.5	35.5	-
Horse Racing Commission	23.1	17.8	(5.3)
State Fair Commission	5.3	5.3	-
Division of Mental Health	3.6	5.3	1.7
County Convention & Visitor Bureaus	3.6	3.6	-
Housing Trust Fund	0.0	1.8	1.8
Center for Agricultural Science & Heritage (State Fair Commission)	0.0	1.8	1.8
Total	\$106.6	\$106.6	-

Table 4. Current and Proposed Distribution of Riverboat Admission Tax Revenue After July 1, 2003 (in millions):

	Current	Proposed	Difference
City	\$35.5	\$35.5	-
County	35.5	35.5	-
Horse Racing Commission	23.1	19.5	(3.6)
State Fair Commission	5.3	5.3	-
Division of Mental Health	3.6	5.3	1.7
County Convention & Visitor Bureaus	3.6	3.6	-
Housing Trust Fund	0.0	1.8	1.8
Total	\$106.6	\$106.6	-

Currently, the HRC's portion of Riverboat Admission Tax revenue is used for purses, breed development funds, the horse track(s), and promotions. The current allocation is determined by HRC rules and is shown in Table 5.

Table 5. Current Distribution of Riverboat Admission Tax Paid to the Horse Racing Commission:

Purses	40%
Breed Development Funds	20%
Horse Track(s)	30%
Promotions	10%
Total	100%

Riverboat Admission Tax revenue distributed to the Division of Mental Health is deposited in the Addiction Services Fund and is used to fund programs and facilities for the prevention and treatment of substance and gambling addictions. Money in the Housing Trust Fund is used to provide financial assistance for the development, rehabilitation, or financing of affordable housing for lower income families and very low income families. The Housing Trust Fund also receives revenue from appropriations, gifts, grants, investment income, repayments of loans, and funds borrowed from the Board for Depositories Insurance Fund. Current tax revenue distributed to the State Fair Commission may be used for any activity that the Commission is authorized to carry out. Under this proposal, the State Fair Commission would receive an additional \$0.05

to be used for the Center for Agricultural Science and Heritage.

(3) This bill requires the HRC to annually distribute up to \$600,000 in Riverboat Admission Tax revenue to each alternative racing program for purses and other approved funding. It also allows the HRC to use a portion of the Riverboat Admission Tax revenue to make grants for capital investment, construction, and routine operations of a training facility for Thoroughbreds and other breeds in Johnson County.

Based on the estimate of average monthly admissions and the proposed new distribution of Riverboat Admission Tax revenue, the HRC's portion is estimated to be approximately \$17.8 million before July 1, 2003 and \$19.5 million after July 1, 2003. If all three statewide breed associations develop an alternative racing program, a maximum of \$1.8 million could be paid from Riverboat Admission Tax revenue. In addition, an unspecified amount of Riverboat Admission Tax revenue may be used for a training facility. The above payments would reduce the amount of Riverboat Admission Tax revenue allocated for purses, breed development funds, the horse track(s), and promotions by an indeterminable amount. However, it is important to note that the amount of Riverboat Admission Tax revenue distributed to the HRC has increased from approximately \$1.6 million in FY 96 to approximately \$19.7 million in FY 98.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Horse Racing Commission; Division of Mental Health; State Fair Commission; Indiana Housing Finance Authority.

Local Agencies Affected:

Information Sources: Joe Gorajec, Horse Racing Commission, 233-3119; Indiana Gaming Commission.